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LETTER DATED 7 JUNE 1991 FROM THE PERMANENT REPRESENTATIVE OF IRAQ TO THE UNITED NATIONS ADDRESSED TO THE SECRETARY-GENERAL

On instructions from my Government, and with reference to your note of 30 May 1991 (document S/22661), I have the honour to state below the points which my Government wishes to be taken into account in setting a ceiling for the deductions envisaged in your aforementioned report:

1. In setting the maximum ceiling for deductions from Iraq's earnings, i.e., 30 per cent, the Secretary-General of the United Nations used the economic data and figures which are supposed to be attained in 1993 and thereafter in order to assess what is due from Iraq in 1991 and 1992. These years reflect a very serious deficit in all Iraq's trade balances, by virtue of the substantial and broad deficit incurred in Iraq's revenue sectors, as well as the economic situation, which basically does not allow for any deduction from its expected modest earnings. These earnings are sufficient only to cover a tiny portion of the basic needs it has to meet, as referred to in Security Council resolution 687 (1991) and in the report of Under-Secretary-General Martti Ahtisaari.

It must be concluded from the above comments that, in accordance with the premises of the Secretary-General himself, the years 1991 and 1992, at the very least, should be considered a grace period. Iraq, meanwhile, had already, given the established facts of its economic situation, requested a grace period of five years.

2. We have reservations as to the assertion in the Secretary-General's note that Iraq's annual requirements for civilian imports amount to $8 billion. Estimated oil revenue, based on current production capacity rather than on Iraq's share of OPEC oil, amounts to approximately $13 billion for the years 1991 and 1992. This means that Iraq's total oil revenue for those two years will amount to less than the Secretary-General's estimates for the requirements to cover basic civilian imports alone, i.e. $16 billion for the two-year period.

3. The following additional facts make it even more vital to grant Iraq the grace period to which we referred above and not to deduct any percentage during that period: firstly, this year's poor harvest; secondly, the depletion of stocks of food, medicines, vaccines and water purification materials, together with the destruction of power stations, etc., following the rioting and sabotage which occurred in northern and southern Iraq. As a result, there are further urgent basic requirements in excess of those evaluated in the Secretary-General's report. There are, besides, the facts that, in mid-1991, it is still not possible to export oil or petroleum products, the severe economic embargo remains in place and Iraqi funds abroad remain frozen, despite the decision of the sanctions committee and the letter of that committee's Chairman, which effectively lifted the ban on those funds.

4. The Secretary-General's note is full of optimism with respect to world demand, Iraq's share thereof and what he refers to as the unit price of oil as monitored by OPEC. This assumption does not accord with the reality of the oil market, which is suffering from surplus production and frenzied competition between producers to win the largest shares of that market by offering the biggest discounts to consumers. In addition, Iraq has no outlet to the sea and its net earnings from the price of each barrel exported is actually less than the export price because it has to bear the costs of transit and operation of pipelines across Turkey and Saudi Arabia.

5. With regard to Iraq's foreign debts, the estimate contained in the Secretary-General's note is lower than the true debts incurred by Iraq. Additionally, the figure quoted in the note does not include the interest charged on these debts since the beginning of 1990, which was not and has not yet been paid: it is estimated that such interest will amount to approximately $3.4 billion as of the beginning of 1993. The suggested level for debt servicing should therefore be set higher than 22 per cent of Iraq's earnings and the level of deductions reduced accordingly.

6. The Secretary-General has estimated Iraq's civilian requirements at $8 billion, but those requirements are estimated on the basis of data for 1989, a year of severe austerity due to the circumstances of the eight-year war imposed on Iraq. Iraq's normal civilian requirements are far in excess of that, its requirements for food, medicine, vital consumer goods and purely basic services alone amounting to some $10 billion. Iraq also needs to import vital production goods at a cost of some $2.6 billion, together with essential imports for the repair of basic facilities destroyed during the war such as water, power and sewage systems, bridges, communications, roads, railways and food and medicine factories, costs of which are estimated at $7 billion, in addition to the costs of repairs to oil installations destroyed during the war, estimated at $3.5 billion.

7. Although it is now mid-1991, the economic embargo against Iraq remains comprehensive and severe and Iraq's foreign currency reserve funds abroad remain frozen, as we noted in paragraph 3 above. This has caused yet further confusion and disorder in the operations of civilian production facilities, and many have come to a halt. It will therefore be necessary to increase the current pressing requirement for foreign currency during 1991 and 1992.

8. In the light of all the facts set out above, which any fair party is perfectly free to verify, Iraq once again requests that a five-year grace period be set, during which no sum shall be deducted from its oil export earnings, in order that it may address the major problems strangling its economy and threatening the Iraqi people with hunger and disease. It also requests that objective account be taken of economic facts, without any political prejudice, when a percentage begins to be deducted after the grace period.

I should be grateful if you would have this letter circulated as a document of the Security Council.

(Signed) Abdul Amir A. AL-ANBARI
Ambassador
Permanent Representative